

36. Statement by U.S. Department of State Spokesman Nicholas Burns, May 21, 1997; *New York Times*, May 23, 1997; Ross interview with U.S. Department of State official. On China's efforts on chemical exports, see the October 29, 1997, White House Fact Sheet "Accomplishments of U.S.-China Summit" and the transcript of Robert Einhorn's January 7, 1998, interview on China/nonproliferation published in January 1998 in the United States Information Agency's electronic journal *U.S. Foreign Policy Agenda*.
37. For a discussion of the strategic importance to China of Sino-Pakistan relations and China's extensive military relationship with Pakistan, see John W. Garver, "Sino-Indian Rapprochement and the Sino-Pakistan Entente," *Political Science Quarterly* 111, no. 2 (Summer 1996).
38. *New York Times*, November 15, 1991.
39. The agreement was first announced in September 1992. See *New York Times*, September 11, 1992.
40. *New York Times*, September 28, 1995; *New York Times*, November 10, 1995. On China's pre-summit nuclear agreement regarding Iran, see the October 29, 1997, White House background press briefing by senior administration officials on nuclear cooperation with China.
41. *Financial Times*, February 29, 1996; *New York Times*, February 21, 1996; *New York Times*, March 29, 1996.
42. See U.S. Department of State, Daily Press Briefing, "Special Briefing on U.S.-China Discussions on Non-Proliferation and Nuclear-Related Exports," May 10, 1996; interview with Warren Christopher on *News Hour with Jim Lehrer*, June 17, 1996. On Chinese export controls and membership in the Zangger Group, see the October 29, 1997, White House background briefing by senior administration officials on nuclear cooperation with China and the October 29, 1997, White House Fact Sheet "Accomplishments of U.S.-China Summit."

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Cuba

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THE U.S. ECONOMIC embargo against Cuba has been in place for 36 years. During that period, its rationale and goals have changed. For the most part, its principal purpose was either to modify the international behavior of Fidel Castro and his Communist government, which Washington regarded as a threat to U.S. strategic interests, or to eliminate the regime entirely. As long as those goals proved unattainable, Washington settled for a secondary goal of isolating and containing Cuba. Since the collapse of the Soviet Union and the end of Moscow's substantial economic aid to the island, Washington has tried to take advantage of Cuba's new economic vulnerability by tightening the embargo in order to prevent the Castro government from replacing Soviet aid with foreign investment and other capital. The goal of Washington's policy remains the disappearance of the Castro regime, by forcing either reform or revolt on the island.

Washington's post-Cold War policy toward Cuba has been caught up in a larger debate concerning the effectiveness of economic sanctions in general and of unilateral sanctions in particular as a way of producing change in the nature and behavior of hostile regimes. Critics of the administration's Cuba policy argue that U.S. sanctions against Cuba have not worked for decades and that it is "time for a change," particularly now that the Cold War is over and Havana is no longer a serious threat to U.S. interests. They believe that the Castro government would respond better to incentives rather than to punishment. Supporters of U.S. policy, in contrast, argue the opposite. They claim that the embargo could not work during the Cold War, when Havana received billions of dollars annually from Moscow. Now that this aid has disappeared,

Washington's ability to influence Castro's behavior, and perhaps even to topple him, has increased. Their conclusion: The U.S. embargo should not only be continued but tightened.

Who is right? To a large extent, it is impossible to resolve this argument, not only concerning Cuba but in regard to any other country that is the object of economic sanctions. If the Castro government were to collapse tomorrow, supporters of the recently tightened U.S. embargo would proclaim the success of their policy preference. Critics of U.S. policy toward Cuba, on the other hand, would argue that the regime's collapse had less to do with Washington's policy than with the end of Soviet aid, the imperatives of the new global economy, the information revolution, and/or the policy of engagement pursued by Europeans and others in Cuba.

Furthermore, critics of U.S. sanctions against Cuba have a debating advantage. All they need to charge is that the policy has not produced the overthrow or collapse of the Castro regime. They are under no obligation to prove that their preferred policy option—a policy of engagement—would cause the Castro government to collapse or become more democratic and less hostile to U.S. interests. Because their policy of engagement has not been tried over an extended period, therefore, the critics usually are given the benefit of the doubt.

Despite current differences in opinion regarding U.S. policy toward Cuba, for much of its history the policy did not generate strong opposition within the United States. Particularly during the Cold War, which shaped U.S. policy toward Cuba during the first 27 years of the embargo, it was not difficult to convince the U.S. public that the Castro regime posed a threat to U.S. interests. This was especially true in the aftermath of the Cuban missile crisis of 1962 and during the following decade, characterized by a growing Soviet influence over the island. Only since the Soviet collapse has any significant opposition to the embargo developed within the United States. It has been fueled not only by the demise of the Soviet bloc but also by the normalization of U.S. relations with other formerly hostile communist regimes, such as Vietnam and, to a lesser extent, North Korea.

Ultimately, the charge of inconsistency in U.S. policy will not prove effective in ending the embargo. Each country provides different opportunities and constraints for U.S. policy. As long as U.S. goals are consistent, Washington will be able to justify using different means to achieve a common end. What may prove more of an obstacle to sustaining the embargo against Cuba, however, are the growing costs of doing so. Specifically, we are alienating our friends and allies whose cooperation is needed on other issues of importance to U.S. and global security.

One final aspect of the Cuba sanctions debate concerns the strong and unwavering support for sanctions on the part of the Cuban American population, whose voting power is concentrated in two important states, Florida and New Jersey, and whose main lobby, the Cuban American National Foundation, is well organized and financed. Critics of Washington's Cuba policy often imply or state that the sanctions are illegitimate because they "only" or "mainly" reflect the views of a small but powerful minority. Or the critics assume that the U.S. public does not really care about Cuba and would be willing to go along with a U.S. policy of engagement with the Castro government.

U.S. foreign policy, of course, always has been shaped to varying degrees by domestic interest groups. As the United States is a representative democracy, its foreign policy must, to some extent, reflect domestic values and institutions. During the Cold War, however, when Washington and Moscow were engaged in what many U.S. citizens saw as a life-or-death global competition, the U.S. president could defeat even well-organized domestic groups in the name of larger strategic concerns. Since the Soviet collapse, doing so is much more difficult. The power of the Cuban American lobby on the Cuba sanctions issue reflects the more general phenomenon of the increased clout of domestic actors in shaping foreign policy in the post-Cold War era.

Origins of the Economic Embargo

The embargo, which dates from 1962, was the culmination of unilateral U.S. responses to a series of developments in Cuba during the height of the Cold War, developments that the Kennedy administration interpreted as having put Castro's Cuba squarely in the Soviet camp.¹ The Cuban leader called off promised elections in April 1959 and announced shortly thereafter that Cuba did not want U.S. economic assistance. In May Cuba adopted an agrarian reform law that led to the expropriation of U.S.-owned properties on the island. In February of the revolution's second year, Moscow and Havana signed a trade agreement under which the Soviet Union agreed to purchase sugar from Cuba and to supply Cuba with crude oil. In March 1960 President Dwight Eisenhower secretly ordered the Central Intelligence Agency to begin training Cuban exiles for an invasion of Cuba. In June the Castro government asked foreign-owned oil refineries to process Soviet crude oil. When they refused to do so, they were nationalized. In response, the U.S. Congress authorized President Eisenhower to cut off the yearly quota of sugar to be imported from Cuba under the Sugar Act of 1948. Two days later, on July 5, the Cuban government authorized the nation-

alization of all U.S. property in Cuba, valued at some \$1.8 billion. The next day Eisenhower cut Cuba's remaining sugar quota for 1960 by 95 percent. Between August and October, the Cuban government nationalized U.S.-owned banks, industrial and agrarian enterprises, and wholesale and retail enterprises. In December Eisenhower fixed Cuba's 1961 sugar quota at zero.

On January 1, 1961, Cuba restricted personnel in the U.S. Embassy in Havana to a maximum of 11 and gave the remaining embassy staff two days to leave the country. The United States then broke off diplomatic relations with Cuba, and travel by U.S. citizens to Cuba was forbidden shortly thereafter. The Commerce Department had embargoed U.S. exports of goods and technical data to Cuba in October of the preceding year. On April 17, 1961, the day after Castro openly proclaimed his revolution to be "socialist," the Bay of Pigs invasion occurred. It failed to topple Castro.

On September 4 Congress passed the Foreign Assistance Act of 1961, prohibiting aid to Cuba and authorizing the president to establish and maintain "a total embargo upon all trade between the United States and Cuba." President John Kennedy already had similar authority under the Trading with the Enemy Act of 1917. On February 7, 1962, he declared an embargo on all trade with Cuba. On August 1 Congress amended the Foreign Assistance Act to prohibit U.S. aid "to any country which furnishes assistance to the present government of Cuba." Implementing authority lay mainly with the Treasury Department, first under the Cuban Import Regulations issued in 1962 and then under the Cuban Assets Control Regulations issued in 1963.

The unilateral U.S. embargo targeted only Cuba and did not prohibit third parties from trading with the island. It did have extraterritorial aspects, however, in that it prohibited the reexportation from third countries to Cuba of commodities or technical data of U.S. origin. In early 1963, moreover, National Security Action Memorandum 220 prohibited shipments of cargoes paid for by the U.S. government on foreign flag vessels that had called at a Cuban port on or after January 1, 1963. And in December 1963 Congress amended the Foreign Assistance Act to prohibit U.S. aid to countries that failed to take steps to prevent aircraft or ships under their registry from engaging in trade with Cuba.² Initially foreign subsidiaries of U.S. corporations were not prohibited from trading with Cuba, although the Treasury Department "vigorously pursued an informal policy of applying pressure to United States parent companies to ensure that their foreign affiliates 'voluntarily' refrained from engaging in any transactions with Cuba."³

Despite its unilateral nature, the embargo became multilateral in practice within most of the Western Hemisphere. The Organization of American States, meeting in Punta del Este in January 1962, first imposed limited sanctions on Cuba and excluded its "present government" from participating in the inter-American system. Two years after the Punta del Este vote, the Organization of American States (OAS) voted to require its members to break diplomatic relations with Havana, to impose a collective trade embargo on Cuba (excluding foodstuffs, medicine, and medical equipment for humanitarian purposes), and to suspend sea transportation with the island. The vote was partly the result of U.S. pressure. However, Latin American governments also were responding to the Castro government's efforts to spread Communist revolution to their countries.

The main rationale for the economic embargo was the threat to U.S. national security posed by a Communist Cuba that, by February 1962, had become allied economically and militarily with the Soviet Union. The embargo, however, was at best a second-choice policy that was implemented in the aftermath of the previous year's failed Bay of Pigs invasion. The embargo therefore represented Washington's effort to make the best of a bad situation. The Castro threat was real, yet the tools that Washington had at its disposal to overthrow, or even contain, Castro were at best limited and, at worst, inadequate for the task.

The fact that Cuba was an island provided some hope that an embargo might at least contain the Castro government. On the other hand, the recognition that Soviet trade with and aid to the island would not be affected by the embargo made it difficult to believe that it could "work." Of course, in 1962, when the United States unilaterally imposed its embargo against Cuba, it was still unclear how much economic aid the Soviet Union would provide to the island over the long term. It is important to stress, however, that the embargo was never considered the best possible policy that Washington could implement against the Castro regime. Instead, it was deemed better than doing nothing. At least it signaled Washington's disapproval of Havana's behavior.

The embargo also was never intended to be the only U.S. response to the threat presented by Castro's Cuba; rather it was to be one of several approaches. It followed by one year the creation of the Alliance for Progress, a \$20 billion aid program aimed at helping Latin America achieve higher levels of economic development and thereby reduce the poverty and misery that were thought to make Communist revolutions possible or even probable. In addition, the Kennedy administration launched an ambitious counterinsurgency program in order to help

Latin American militaries prevail against Cuban-trained and armed Marxist guerrillas operating in the region.

Early Impact of the Embargo

Until the revolution, Cuba's economy had been closely linked with that of the United States. The United States had been Cuba's main trading partner and its principal foreign investor. In addition, it was the principal market for sugar, Cuba's chief export. Cuba also had earned substantial amounts of dollars from its tourist industry—and tourism from the United States far exceeded that from any other country.

By suddenly depriving Cuba of its main market and source of hard currency, the U.S. embargo caused great hardship for both the Cuban government and people. It also may have accelerated the process whereby Cuba became more dependent on the Soviet Union. On the other hand, there is ample evidence that Castro had no desire to maintain a capitalist economic system or Cuba's close economic ties with the United States. In order to eliminate both, however, he needed first to dismantle the Cuban military, so as to avoid a coup against him, and then get the Soviet Union to back his regime. While the U.S. embargo may have given Castro a rationale for forging closer ties with Moscow and may have given the USSR a good excuse for strengthening its alliance with "the enemy of its enemy," it also can be argued that the Cuban-Soviet alliance would have developed more or less as it did even without the embargo, since it served the interests of both Moscow and Havana.

The embargo also proved costly to the United States, specifically to those companies that had been heavily involved in trade with Cuba or that already had made substantial investments on the island. More costly than the embargo, however, were other aspects of U.S. policy that were adopted to offset or counter the threat that the Castro regime posed to U.S. interests in the hemisphere. Included here is the \$20 billion Alliance for Progress, the costs of the counterinsurgency program, as well as other forms of U.S. military aid to the region.

On the positive side, there were no additional Marxist revolutions in the Western Hemisphere until 1979. Whether this was primarily the result of the embargo, or of the combination of policies that Washington implemented following the Cuban revolution, or of other developments having little or nothing to do with U.S. policy remains debatable. If the embargo did play a role in containing the spread of Cuban communism, it did so only in combination with the economic and military aid that the United States provided to the rest of Latin America as part of its overall policy of containment.

Détente and the Loosening of the Embargo

Two developments in the 1970s changed Washington's thinking on the embargo. Most important was détente with the Soviet Union, which reduced Washington's concerns regarding Soviet expansion in the Western Hemisphere. The fact that Latin America's Marxist guerrilla movements had been defeated by the end of the 1960s—the result of action by the region's U.S.-aided militaries—contributed to Washington's diminished preoccupation.

The other important factor was the U.S. defeat in Vietnam, which made the United States look less powerful to Latin American governments and encouraged them to chart a more independent course. In 1975, for example, the Organization of American States voted to lift its embargo of Cuba and instead to allow each member country to decide what kind of trade relations it wished to have with the island. The administration of President Gerald Ford then partially relaxed its prohibition against foreign subsidiary trade with Cuba, explaining the decision as an effort to improve U.S. relations with third countries and to conform to the OAS resolution regarding trade with Cuba. Washington also relaxed its prohibition against third-country exports to Cuba that contained U.S.-origin parts, allowing such countries to request licenses to export goods containing up to 20 percent of such parts. The denial of aid to third countries that permitted their ships to trade with Cuba also was revoked. These limited efforts of the Ford administration to improve relations with the Castro regime were halted abruptly when Cuba sent tens of thousands of troops to Angola to help the Popular Movement for the Liberation of Angola (MPLA) in its struggle against Jonas Savimbi.

President Jimmy Carter, who had criticized the United States' inordinate fear of communism, chose to downplay the extent to which Cuba's intervention in the Angolan civil war constituted a threat to U.S. interests. He therefore further liberalized the embargo and made clear his desire to work toward a normalization of relations with Cuba. In 1977 Washington allowed passport restrictions on travel to Cuba to lapse, thereby enabling U.S. citizens to go to the island as tourists. It also allowed U.S. travelers to spend dollars if such expenditures involved travel and living expenses within Cuba. The following year Treasury regulations were changed to permit U.S. residents to send money to relatives in Cuba. The Carter administration also agreed to the opening of U.S. and Cuban interest sections in Havana and Washington, respectively. These were expected to lead to the exchange of ambassadors at a future date.

Carter's plans for improved relations between Washington and Havana were undermined when Castro sent Cuban troops to fight on the side of Marxist rebels in Ethiopia in late 1977. Carter felt that the Cuban leader had betrayed him. The Cuban government asserted then—and continues to claim—that conflicts between Havana and Washington over international issues can be negotiated but are not relevant to discussions regarding the possible normalization of relations between the United States and Cuba.⁴

Although the changes in U.S. policy toward Cuba in the mid-1970s corresponded to new international realities, they also were based on a series of assumptions regarding the determinants of Castro's attitude and behavior toward the United States. Supporters of a more relaxed embargo had argued that Castro's behavior was a reaction to U.S. hostility toward him and his regime. They therefore assumed that better treatment by Washington would lead to less provocative and hostile behavior on the part of Castro. Instead, Castro's behavior seemed to validate those who had argued that he would interpret a more liberal policy toward Cuba as a sign of U.S. weakness, which he would turn to his advantage.

Perhaps more important in explaining Castro's behavior, however, was the willingness of the Soviet Union to continue bankrolling his exploits abroad, despite the existence of U.S.-Soviet détente. As a result, Washington's loosening—or tightening—of the embargo remained largely irrelevant to the Cuban regime as long as Castro could count on receiving billions of dollars of Soviet economic and military aid annually.

The End of Détente and the Tightening of the Embargo

Cuba's exploits in Africa were but a prelude to resumed revolutionary activity in the Western Hemisphere. In 1979 two Marxist groups triumphed in the Caribbean Basin—the New Jewel Movement in Grenada and the Sandinistas in Nicaragua. Castro played a particularly crucial role in training the Sandinistas. Within days of their triumph, he sent Cuban advisers to Nicaragua to advise and organize the new Marxist government. He also continued to aid the Marxist guerrillas in El Salvador.

In response to two successful Marxist revolutions in Washington's "backyard," the Carter administration began pursuing—reluctantly—a more hard-line policy in the Caribbean Basin. Carter cut off aid to the Sandinista government (after being forced by Congress to do so) and increased military aid to El Salvador during the final months of his administration.

Policy toward Cuba, however, remained essentially the same until the election of Ronald Reagan as president in 1980. After Secretary of State Alexander Haig vowed to "go to the source" of the Central American unrest—that is, Cuba—Washington once again severely restricted travel to the island, initially by limiting the ability of U.S. citizens to spend dollars there. In 1982 the restrictions were tightened further so that only a narrowly defined group of professionals were permitted to travel to Cuba for research purposes. In 1988 Congress asked the administration to submit recommendations for tightening the embargo against Cuban-origin imports. The Treasury Department also launched an initiative to block access to U.S. ports by Cuban shipping companies operating in third countries.

The embargo was tightened in order to increase the costs to Castro of fomenting revolution abroad—essentially the same rationale that Washington used for supporting counterrevolutionary movements in Nicaragua, Afghanistan, and Angola. Unlike the situation in the early 1960s, serious thought no longer was given to invading Cuba. The U.S.-Soviet agreement that had ended the missile crisis had included a U.S. promise not to use force to overthrow the Cuban government. In addition, the fact that the Cuban military had become one of the largest, best-trained, and most experienced militaries in the hemisphere had made the costs to the United States of any attempted military invasion prohibitive. On the other hand, although a tightened embargo would increase the costs to Castro of spreading revolutionary unrest, the fact that the Soviets were providing him with billions of dollars annually made it doubtful that his efforts would be seriously undermined. Instead, increased sanctions should be seen more as a symbolic move, indicating Washington's disapproval of Cuba's behavior.

This does not mean that the embargo had no economic impact during the Cold War. One European study claims that it cost Cuba approximately \$40 billion over this 30-year period.⁵ A preliminary study by the Institute for Economic Research of Juceplan, Cuba's central planning board, reached a similar conclusion.⁶ The fact remains, however, that whatever the economic cost of the embargo to Cuba in dollar terms, it was largely irrelevant since the Soviet Union, not Cuba, was paying for Castro's revolutionary crusades. The embargo therefore should be measured in terms of its costs to the Soviet Union. To the extent that it helped draw Moscow into a closer and very costly relationship with the Castro government, it contributed somewhat to the USSR's growing economic problems in the 1980s. On the other hand, the Soviets got good value for their investment in terms of the problems that Castro caused for the United States and the effort, time, and cost involved in dealing with them.

The Soviet Collapse and the Cuba Democracy Act of 1992

The collapse of the Soviet Union in 1989 led longtime critics of the U.S. embargo to hope for a liberalization of U.S. policy toward Cuba. They assumed that since the embargo was intimately linked to the Cold War and the Soviet threat to U.S. national security, the end of the Cold War would make the embargo obsolete. They also assumed that the fact that the embargo had never "worked," in the sense of overturning Castro or making him behave in a manner less hostile to U.S. interests, would strengthen the rationale for "trying something new."⁷ Supporters of the embargo, however, came to exactly the opposite conclusion. They reasoned that the embargo had never "worked" because the Soviets had provided the Castro government with approximately \$6 billion of aid each year. Without Soviet aid, they concluded, Castro would be more vulnerable to U.S. economic sanctions.⁸

The administration of George Bush, having worked out a diplomatic solution to end the Nicaraguan civil war, seemed to lean more toward the argument that it was time to adopt a less hard-line policy toward Cuba. On the other hand, the upcoming presidential election in which Bush was seeking to be reelected ultimately led him instead to support some tightening of the embargo in order partially to accommodate hard-line Republicans within his party, including many Cuban Americans. Early in 1992 Bush therefore barred from U.S. ports any ships that served routes to or from Cuba. He also tightened regulations regarding the sending of money and parcels by Cuban Americans to their relatives in Cuba. Bill Clinton, the Democratic presidential candidate, went even further, supporting passage of the Cuba Democracy Act, which sought to penalize U.S. companies whose foreign subsidiaries traded with the island nation. Bush followed suit. Neither he nor Clinton could afford to write off Florida's 25 electoral votes and New Jersey's 15.

The focus on foreign subsidiaries was the result of a growing realization that trade between foreign subsidiaries of U.S. multinational corporations and Cuba was undermining the impact the U.S. embargo could have in the absence of Soviet aid. Between 1980 and 1990 the total number of license applications to the U.S. Treasury for purposes of exporting to Cuba had increased from 164 to 321. More significantly, the value of subsidiary trade increased from \$292 million in 1980 to \$705 million in 1990. Of this amount, 76 percent were Cuban imports, and 71 percent of these imports were foodstuffs. The countries that accounted for most of this subsidiary trade were Switzerland, Argentina, France, Canada, and

The Cuba Democracy Act—or, informally, the Torricelli bill, named after Democratic Congressman Robert Torricelli of New Jersey—further discouraged trade with Cuba by prohibiting ships entering Cuban ports for purposes of trade from loading or unloading freight in the United States for 180 days. It also sought to reduce Cuba's access to dollars by more tightly restricting the kinds of U.S. citizens who could spend money in Cuba without special permission from the U.S. Treasury, and required those seeking to send remittances to the island to get licenses from the Treasury's Office of Foreign Asset Controls. The act also authorized, but did not require, the president to declare any country providing assistance to Cuba ineligible for aid under the Foreign Assistance Act of 1961, ineligible for assistance or sales under the Arms Export Control Act, and ineligible under any program providing for the forgiveness or reduction of debt owed to the U.S. government.

These efforts to tighten the U.S. embargo against Cuba represented the "stick" side of the Cuba Democracy Act. There was also a "carrot" side that allowed the president to waive the prohibitions on foreign subsidiary trade or the restrictions on third-country vessels trading with Cuba if and when he determined that the Cuban government had held free, fair, and internationally supervised elections; had allowed opposition parties sufficient time to organize and campaign; and had given them full access to the media, showed respect for civil liberties and human rights, and was moving toward the establishment of a market economy. On the assumption that increased communication between the United States and Cuba would strengthen internal opposition to the Castro regime, the bill also authorized expanded telephone and mail service to the island.

The passage of that act also reflected the new post-Cold War era. With the collapse of the Soviet Union, the U.S. embargo could no longer be justified by reference to the Soviet threat. Nor could it be justified as punishment for Cuban support for revolution abroad, since the loss of Soviet aid had made it all but impossible for Cuba to "export revolution." (Cuba steadfastly had denied charges that it was supporting Marxist guerrillas during the Cold War; after the Soviet collapse, it claimed it had stopped doing so.) As a result of the disappearance of the Soviet threat, therefore, Washington began to explain its Cuba policy in terms of the need to bring democracy, respect for human rights, and a market economy to the island.¹⁰

The U.S. government also believed that the continued isolation of the Cuban government was a good thing. Most of Latin America's relatively new democracies were still fragile, and the region was in the process of opening and reforming its formerly statist economies. This involved the implementation of

at least in the short run, reduced living standards and increased unemployment. In this context, it was deemed better to deprive the Castro government of the resources that would have enabled it to cause additional problems for Latin America's already beleaguered governments. Given that Castro's adventures in Latin America had depended greatly on his ability to fund them, this conclusion was reasonable.

At the same time, however, Washington favored establishing more contact with, and providing assistance to, the Cuban people. This contact and assistance would help offset their dependence on the Castro government for information and enable the regime's opponents to communicate and organize more effectively. This, then, became the rationale for the so-called Track II of the Cuba Democracy Act, which encouraged an increase in contact and communication with non-government groups and individuals on the island via telecommunications, visits by authorized U.S. travelers, and the like.

The hard-line provisions of the Cuba Democracy Act appear to have accomplished some of their goals. By July 1993 the Cuban government had admitted that the law had raised its shipping costs by 42 percent. A study published by the Institute of European-Latin-American Relations (IRELA), a European Union think tank, found that by December 1993 the act had cost Cuba about \$1 billion, resulting from the higher prices that the country had to pay for imports and because of difficulties in exporting, problems with fleets, and so on.¹¹

The Cuba Democracy Act took effect in 1992, the same year in which all Soviet aid remaining in the pipeline to Cuba dried up. The year 1993 marked the beginning of Cuba's efforts to attract foreign capital in order to offset the loss of Soviet aid. Between 1993 and 1996 (when the so-called Helms-Burton law further tightened the U.S. embargo), the Castro government allowed Cubans to hold and use dollars and other foreign currencies, permitted self-employment by individual Cubans in more than 100 job categories, and approved the creation of free farmers' markets and a number of retail markets for handicrafts and surplus products made by state enterprises. The government also began welcoming foreign investment, particularly in the tourism industry, while strictly controlling the hiring and payment of workers as well as the ability of ordinary Cubans to use the new recreation facilities.

Since one of the goals of the Cuba Democracy Act was to move Cuba toward a market economy, the implementation of these and related reforms can be regarded as a positive impact of the legislation. On the other hand, the need for hard currency in the absence of Soviet aid was undoubtedly a more direct cause of Cuba's limited economic opening. Nevertheless, the act exacerbated Cuba's hard-currency shortage by raising the costs of production and trade. As a result, Cuba was forced to make

The conclusion that the U.S. embargo did significant damage to Cuba after the implementation of the Cuba Democracy Act is also evident from the Castro regime's energetic campaign, following its passage, to have the embargo lifted. During the Cold War, Castro and his colleagues repeatedly had minimized the embargo's impact, claiming that they did not care whether Washington lifted it or not. After the Soviet collapse and the tightening of the embargo, Cuban officials announced that the removal of the embargo was their top international priority.¹²

It is important to note, because of what came later, that the Europeans, Canadians, and Mexicans in particular had strongly opposed the Cuba Democracy Act and had threatened to fight it. They objected particularly to the legislation's extraterritorial reach, in that it stopped U.S. subsidiaries in foreign countries from trading with a third country.¹³ The actions of the three governments, however, never matched their early rhetoric. Instead, they seemed to resign themselves to the third-party sanctions contained in the new legislation—possibly because they soon realized that their own companies would benefit economically from the act. Although the legislation barred U.S. subsidiaries from trading with Cuba, it did not forbid foreign-owned enterprises from engaging in such trade. The Torricelli bill therefore ended up benefiting foreign economic enterprises at the expense of U.S. companies.

A second reason why Europeans and others did not fight strongly against the act was their belief that U.S. policy toward Cuba would change during the Clinton administration. Despite the fact that Clinton had supported the act during the campaign, a number of his key Latin American policymakers had favored normalization of relations with the Castro government when they had served in the Carter administration. As a result, the Europeans and others may have decided that it was not worth making an issue of the Cuba Democracy Act, since it would be rescinded soon. Still another possibility is that they believed that Clinton would emphasize the so-called Track II part of the legislation, which called for increased contact and communication with the Cuban people, rather than the harder-line Track I, or third-party sanctions part of the law. Whatever the explanation, the fact that the Europeans and others did not follow their verbal opposition to the act with concrete action undoubtedly left the Clinton administration unprepared for their very different behavior with regard to the Helms-Burton law.

The Further Tightening of the Embargo and the Cuba Libertad Act

The limited economic reforms implemented by the Castro government after the Soviet collapse achieved their goal of increasing Cuba's access

to at least a portion of the hard currency needed to keep its economy functioning, albeit at a relatively low level. The reforms made it attractive for foreign companies to invest in sectors such as tourism, mining, and telecommunications without having to worry about U.S. competitors. Furthermore, Cuba's desperate economic straits and its inability to enter the U.S. market allowed these foreign companies to drive a hard bargain with the Castro regime. As a result, foreign investment in Cuba increased dramatically between 1993 and 1996.

What was particularly disturbing to the representatives of the Cuban American community in Congress was the fact that many of these investments involved former U.S. properties that had been confiscated by the Castro government shortly after it took power. The combination of the influx of foreign capital (which helped offset the Castro government's loss of Soviet aid) and its use of expropriated U.S. property led in February 1996 to the passage of the Cuba Liberty and Democratic Solidarity (Libertad) Act, or the so-called Helms-Burton Act. President Clinton originally had opposed several of its most punitive provisions but felt obliged to sign the legislation following the shoot-down by Cuban MiGs in international waters of two small private planes piloted by Cuban Americans.

The bill, which passed both houses of Congress with overwhelming support, was signed by Clinton on March 12, 1996. The two most controversial provisions of the new law are Title III and Title IV. Title III enables U.S. nationals to bring lawsuits in federal court against foreign governments, companies, and individuals who "traffic" in expropriated U.S. property. However, it gives the president the power to delay implementation indefinitely (six months at a time) if he determines that the delay would be in the national interest of the United States and would facilitate a democratic transition in Cuba. Title IV denies entry into the United States of foreigners who traffic in expropriated property claimed by U.S. citizens. Corporate executives, owners, controlling shareholders and their immediate families, and agents would be prohibited from entering the United States except for medical reasons or to contest legal action taken against them because of their trafficking. Another important provision of the law codifies all existing economic sanctions against Cuba, including the embargo. It will now take an act of Congress to change the embargo. Helms-Burton also authorizes cuts in U.S. assistance to countries providing aid to Cuba, such as Russia, in an amount equal to the aid supplied by these countries.

The most evident impact of the new legislation has been not on Cuba but on the Europeans, Canadians, and Mexicans, all of whom have objected strongly to the provisions that allow the United States to

impose sanctions on countries that traffic in confiscated U.S. property. In contrast to their limited response to similar types of provisions in the earlier Cuba Democracy Act, the Europeans, Canadians, and Mexicans in particular have implemented so-called antidote legislation to counter whatever sanctions are applied against them under Helms-Burton.

In addition, the Europeans have brought the case before the World Trade Organization (WTO), despite the fact that Washington claims that Helms-Burton is not a trade issue but an issue of U.S. national security. Under the organization's rules, this would place the case outside of the WTO's jurisdiction, at least as far as Washington is concerned. The United States also has repeatedly pointed out that Helms-Burton does not prohibit or penalize third-country trade with, or investment in Cuba, as many critics of the legislation claim or imply. Instead, it targets trade or investment involving former U.S. properties that have been confiscated illegally by the Castro government. In addition, the law does not provide for U.S. sanctions resulting from such trafficking to be applied in foreign countries (i.e., extraterritorially) but rather only within the United States. Thus, foreign companies "trafficking" in confiscated U.S. property in Cuba cannot be sued under Helms-Burton in the country in which their headquarters are located. Instead, legal claims can be made only against foreign subsidiaries of such companies within the United States. These arguments have done little to assuage the Europeans. For their part, the Canadians and Mexicans have announced that they are planning to contest the compatibility of Helms-Burton with the North American Free Trade Agreement (NAFTA).

The more immediate and strident reaction from Europeans to Helms-Burton may have more to do with Middle Eastern oil than with Cuba. At the time that Helms-Burton became law, other legislation involving sanctions against third countries that trade with Libya and Iran was making its way through the U.S. Congress. It was easier to object to the third-party sanctions embodied in the Cuba law, which had been passed already, than to a law that did not yet exist. More important, the U.S. national security rationale for third-party sanctions could be challenged more easily in the case of Cuba than in the cases of states currently engaged in terrorist activities, such as Iran and Libya.

Washington apparently was caught off guard by the strong negative European reaction to Helms-Burton and has tried to work out a subsequent compromise. The Europeans have agreed temporarily to suspend their litigation over Helms-Burton in the WTO and to work with Washington to develop "binding disciplines" that would "inhibit and deter" new investment in illegally confiscated property in Cuba and other

countries. If no agreement was reached by October 15, 1997, the Europeans said they would revive their case before the World Trade Organization. (In fact, the deadline passed without an agreement or a renewed WTO challenge.) As of this writing, the Europeans have been willing to apply such new rules only to private property confiscated in the future rather than to already confiscated property. This continues to be unacceptable to the United States.

If an agreement satisfactory to the United States is reached, the Clinton administration has promised to ask Congress to suspend the visa restriction provisions of Title IV. Washington also would like the Europeans to press Castro more strongly to respect human rights and hold free and fair elections. So far they have agreed to do so in principle, although how the principle will be implemented remains to be seen. If the Europeans and others really do help develop new international rules regarding confiscated property, this would have to be regarded as an important positive impact of Helms-Burton.

The same point can be made regarding a more active stance by the Europeans in support of human rights and free and fair elections in Cuba. Until now the Castro government has been able to play the Europeans and the Americans against each other. In the process, Cuba has avoided becoming the object of a concerted effort on the part of Western democracies to force Castro to end his dictatorial rule. It is unlikely that European rhetoric, unsupported by actions, would have any major impact on his behavior. It could, however, further weaken Castro's already diminished legitimacy and perhaps encourage more action on the part of his opponents within Cuba.

In the meantime, it is difficult to come to a definitive conclusion regarding the impact of Helms-Burton on the Cuban economy. The law has been in existence for over two years. It is generally conceded, even by critics, that economic sanctions act much more slowly than military force, for example, the alternative whose unacceptability or unfeasibility has often led to the adoption of economic sanctions as a second best option. To date, there is no consensus regarding what constitutes a reasonable waiting period before evaluating whether sanctions have worked. It seems doubtful, however, that any conclusion could be reached reasonably before five years or more have elapsed. Second, it is difficult to come by accurate data that would allow a realistic assessment of the legislation's impact, since the Cuban government has stopped publishing information regarding foreign investment on the island. Havana has justified its decision as motivated by a desire to protect foreign investors from being sanctioned under Helms-Burton. This may well be true. On the other hand, it is equally plausible that the

Castro government is refusing to publish such data because they show a significant decline in new foreign investment.

Based on media accounts as well as reports from foreign diplomats based in Cuba, few of the biggest foreign investors have withdrawn from the island as a result of Helms-Burton. What some companies, such as Sheritt or Melia Hotels, have done is sell or spin off their U.S.-based subsidiaries so as to avoid incurring sanctions under Helms-Burton. The Mexican telecommunications company, Domos, has backed out of its deal with the Cuban government, in part because of Helms-Burton and in part because of its own economic difficulties. Anecdotal evidence shows that a number of European banks have reneged on promised loans out of fear of incurring sanctions under Helms-Burton. Those that continue to lend to Cuba are charging interest rates ranging between 16 and 20 percent, and the loans are for less than a year.

What is more difficult to measure is how the size and pace of new foreign investments in Cuba since Helms-Burton compare with what occurred prior to the implementation of the law. One is hard put to cite new, big foreign investments in Cuba since mid-1996, apart from one or two exceptions in the mining and tourism sectors. At the same time, there is growing evidence that Cuba's economic difficulties are increasing, despite the limited number of economic reforms implemented after the Soviet collapse. After announcing that the 1997 harvest would exceed the 1996 one by 20 percent, the harvest proved smaller than that of the preceding year. The Cuban government also has claimed that the 7.5 percent economic growth achieved in 1996 was proof that Helms-Burton was not working. Carlos Lage, Cuba's economic "czar," admitted in December 1997, however, that the gross domestic product increase for 1997 equaled only 2.5 percent, or less than half the growth rate of the preceding year.¹⁴ In addition, it is doubtful that the Cuban government will be able to repay the \$330 million loan that it incurred at 16 percent interest to finance the necessary inputs for the 1997 harvest. And the \$1.7 billion trade deficit that Cuba accrued in 1996 is expected to be even larger in 1997. This represents the fifth consecutive year in which Cuba's trade balance has deteriorated.¹⁵

Tourism has been cited as the bright spot in the Cuban economy, with the government predicting that gross income from tourism in 1997 would generate \$1.6 billion. The impression that the Castro government wants to leave is that increases in revenues from tourism will more than offset any damage done to Cuba by Helms-Burton. It is important to note, however, that although gross income from tourism has been increasing, so have the costs of imports and other inputs necessary to

sustain the tourism industry. Specifically, such costs have increased from 38 percent of gross revenue in 1990 to 67 percent in 1996. Adjusting for this, net revenue from tourism in 1996 was only about \$429 million, an amount that does not even begin to compensate for the income that Cuba will lose as a result of the decline in the 1997 sugar harvest.¹⁶

The extent to which Cuba's recent economic problems are specifically the result of Helms-Burton or, for that matter, any of the earlier legislation, including the embargo and the Cuba Democracy Act, will remain debatable. This reinforces a point made earlier. If Cuba's economic performance had shown a sustained improvement, or at least had avoided a decline over a number of years, critics of U.S. economic sanctions likely would have proclaimed them a failure. Now that Cuba's economic performance shows a noted decline over the first year of the existence of Helms-Burton, however, sanction critics will be tempted to attribute the weaker economic performance to the Cuban government's own misguided economic policies, poor weather in Cuba, low world sugar prices, high world oil prices, the continuing fallout from the end of Soviet aid, and the globalization of the world economy, among others.

The fact remains, however, that the first year of Helms-Burton coincides with a dramatic fall in Cuba's economic growth rate over the preceding year from 7.8 percent in 1996 to 2.5 percent in 1997. This fact will leave the Castro government with no alternative but to undertake a new round of economic reforms. Fidel Castro loathes capitalism but wants and needs capital. He therefore will try to have his cake and eat it too, mainly by implementing economic reforms that encourage the entry of new capital or increase his government's hard-currency earnings without seriously undermining his control over the Cuban economy or people. In a sense, Castro is seeking his own version of the Chinese reform process, but without going as far in allowing private ownership as the Chinese have gone. He is restricting the reform process because he knows that it is easier for an opposition movement with access to resources to overthrow the government of an island of 11 million people than to overthrow the government of a huge country like China with a billion inhabitants.

Conclusion

During the past 36 years, the strongest supporters of economic sanctions against Cuba have hoped, if not believed, that the sanctions would lead to the overthrow or collapse of the Castro regime. Measured against these goals, the sanctions clearly have failed.

Measured against the less ambitious goal of transforming the behavior of the Castro government, however, the sanctions have produced mixed results. They were least effective during the Cold War, when Cuba received billions of dollars in Soviet aid annually. Since the collapse of the Soviet Union and the termination of Moscow's aid, the sanctions have had more of an impact. They have not been definitive in explaining recent changes in Cuban economic policy. They have, however, helped exacerbate Cuba's hard-currency crisis, thereby adding to the pressures on the Cuban leader to liberalize parts of the economy. The embargo also has imposed economic costs on both sides; one study, for example, concludes that trade between Cuba and the United States could reach \$6.5 billion a year after the first few years following the lifting of the embargo.¹⁷

The maintenance of the U.S. embargo against Cuba has, however, become increasingly controversial since the Soviet collapse, particularly among U.S. allies. Their criticism has grown in direct proportion to the degree to which Washington's Cuba sanctions directly have affected their interests. Had the United States not tightened the embargo several years after the Cold War ended, it is likely that the Europeans, Canadians, and others would have tacitly accepted its remaining in place. The Cuban American community, however, with the support of significant numbers of Democratic and Republican legislators, viewed the end of Soviet aid to Cuba as an opportunity to force change on the island. Therefore the embargo was tightened, first in 1992 by the Torricelli bill and then in 1996 by the Helms-Burton bill.

The time covered by these bills coincides almost perfectly with the period during which the Castro government has experimented with limited reform. The year 1992, however, also coincides with the end to Soviet aid. It is, therefore, difficult to sort out the degree to which the Torricelli bill contributed to Cuba's hard-currency problems. What became clear rather quickly, however, was that the bill was keeping U.S. subsidiaries from trading with and investing in Cuba while allowing foreign ones to do so. This fact explains the essentially rhetorical opposition to the bill on the part of the Europeans, Canadians, and Mexicans who then took no significant actions to follow through on their threats. The fact that the Torricelli bill did not affect foreign subsidiaries enabled Cuba partially to offset the loss of Soviet aid with capital from non-Communist countries. In reaction to this situation, some U.S. businesses began to mobilize against the embargo.

Efforts to close this loophole began to be made even before the shoot-down of the U.S. private planes by the Cuban MiGs in February 1996, although it is not clear that the most controversial parts of the Helms-

Burton bill would have survived intact were it not for the groundswell of support generated by this incident. Precisely because Helms-Burton raised the costs to foreign companies of dealing with Cuba, however, it generated significant opposition on the part of the Europeans, Canadians, and Mexicans. On the other hand, the greater effectiveness of Helms-Burton in tightening the embargo could force the Cuban government to implement even more liberal economic reforms in the coming years. One unanswerable question is, therefore, whether the benefits of Helms-Burton ultimately will justify its costs.

Assuming for the moment that Helms-Burton succeeds in forcing Cuba to open its economy further in order to attract more foreign capital, an additional question is whether such reforms ultimately will lead to a change of government in Cuba. Such a question may never be answerable. Indeed, even if the Castro regime were to collapse suddenly, supporters of the tightened embargo would claim victory while opponents would argue its essential irrelevance and attribute Castro's fall to other factors.

One other important question concerning the effectiveness of the embargo has, to date, received little attention. This is the issue of Cuba after Fidel and whether a transition to democracy and a market economy in a post-Castro Cuba would be easier or harder to achieve if the embargo remains in place.

Most embargo opponents argue that its removal would make for a more peaceful and successful transition to democracy in Cuba. Usually they have refrained from asking that the embargo be lifted unconditionally. Instead, they have advocated a quid pro quo approach, that is, a partial lifting of the embargo in response to some change for the better in the Castro regime in the area of human rights, democracy, and the like.¹⁸ This approach—essentially one of conditional or constructive engagement—has failed in the past and likely will fail in the future, since Castro will never willingly allow himself to be seen as succumbing to Washington's directives. He may play with the idea of normalization, but at the moment he perceives his control threatened, he will act in a way so as to trigger U.S. backtracking. Therefore, those who really believe that the lifting of the embargo will further U.S. interests should be willing to press for its unconditional lifting.

It also should be pointed out that there is no guarantee that Castro's behavior would change for the better in the absence of the embargo. At least during the Cold War, whenever Castro had surplus or even barely adequate resources, he chose to embark on new adventures that invariably caused problems for the United States. There is no reason to believe that this option would no longer be available to him, given Latin America's many social problems.

Embargo supporters argue that by keeping it in place, it will be harder for any future leader or for the Cuban military to maintain "Fidelism" after the latter's departure from the scene. Stated differently, keeping the embargo in place should help ensure that something else is tried after Fidel. Opponents, in turn, claim that by maintaining the embargo, the most likely result of Fidel's departure would be civil war and either chaos or a military takeover.

In the end, the debate over the embargo and related sanctions may be less about what works but rather about the political clout of those in the United States who care strongly about the issue. This is particularly true in the aftermath of the Cold War, when a U.S. president has a much harder time going against domestic political interests in the name of a larger U.S. security interest. As a result, as long as Cuban Americans remain politically powerful and united in their support of the embargo, it will remain in place. And when change finally comes to Cuba, they will argue that their tenacity finally paid off. The embargo's opponents will reach exactly the opposite conclusion.

Notes

1. For a more detailed chronology of the events leading to the U.S. embargo against Cuba, see Michael Krinsky and David Gorove (eds.), *U.S. Economic Measures Against Cuba* (Northampton, MA: Aletheia Press, 1993), pp. 107–13; and Jorge I. Domínguez, *Cuba: Order and Revolution* (Cambridge, MA: Belknap Press of Harvard University Press, 1978), pp. 146–48.
2. Krinsky and Gorove, *U.S. Economic Measures*, pp. 112–13.
3. *Ibid.*, p. 114.
4. Philip Brenner, *From Confrontation to Negotiation: U.S. Relations with Cuba* (Boulder, CO and London: Westview Press, 1988), p. 50.
5. Gerardo Trueba González, "Los Efectos del Bloqueo de Estados Unidos en Cuba: Características y Perspectivas," in *Cuba: Apertura Económica y Relaciones con Europa* (Madrid, Spain: Instituto de Relaciones Europeo-Latinoamericanas (IRELA), 1994), p. 84.
6. Krinsky and Gorove, *U.S. Economic Measures*, p. 139.
7. For examples of these kinds of arguments see Andrew Zimbalist, "Deadline Cuba: Hanging on in Havana," *Foreign Policy*, no. 92 (Fall 1993), pp. 151–167, and Donald E. Schulz, *The United States and Cuba: From a Strategy of Conflict to Constructive Engagement* (Carlisle Barracks, PA: Strategic Studies Institute–U.S. Army War College, May 12, 1993).

8. See Mark Falcoff, *Cuba and the U.S.: Thinking About the Future* (Carlisle Barracks, PA: Special Report of the Strategic Studies Institute—U.S. Army War College, December 9, 1992), pp. 3–9, and Susan Kaufman Purcell, "Collapsing Cuba," *Foreign Affairs* 71, no. 1 (America and the World, 1991/92), pp. 130–145.
9. Purcell, "Collapsing Cuba," p. 132.
10. See the speech by Michael E. Ranneberger, the U.S. Department of State's Coordinator for Cuban Affairs, delivered at Friedrich Hayek University in Coral Gables, Florida, November 17, 1997, available on the Internet at http://www.state.gov/www/regions/ara/97117_ranneberger.html. For a statement of the consistency between U.S. support for democracy, human rights, and a market economy in Cuba and U.S. policy toward the rest of the Western Hemisphere, see the speech by Jeffrey Davidow, assistant secretary of state for inter-American affairs, delivered to the American Enterprise Institute and Friedrich Hayek University (Cuba Vision Series) in Washington, DC, July 28, 1997, available on the Internet at http://www.state.gov/www/regions/ara/970728_davidow.html.
11. Gerardo Trueba Gonzalez, "Los efectos del bloqueo de Estados Unidos en Cuba: Características y perspectivas," p. 83.
12. Edward Gonzalez, *Cuba: Clearing Perilous Waters?* (Santa Monica, CA: RAND, 1996) p. x.
13. Andrew Zimbalist, "Magnitud y costos del Embargo de Estados Unidos en Cuba y Terceros Países," in *Cuba: Apertura Economica y Relaciones con Europa* (Madrid, Spain: IRELA, 1994), p. 96.
14. *Latin American Advisor* (New York, NY: International Advisory Group, Inc, December 15, 1997), p. 2.
15. "Cuba: The Last Communists," *The Economist*, January 17, 1998, pp. 19–21.
16. Carmelo Mesa-Lago, "Short on Sweet," *Hemisfile: Perspectives on Political and Economic Trends in the Americas* 8, no. 4 (July/August 1997), p. 5.
17. Krinsky and Gorove, *U.S. Economic Measures*, pp. 130–31.
18. See, for example, Gillian Gunn, *Cuba in Transition: Options for U.S. Policy* (New York: The Twentieth Century Fund Press, 1993); Wayne S. Smith, "Cuba's Long Reform," *Foreign Affairs* 75, no. 2 (March/April 1996), pp. 99–112; Jorge I. Domínguez, "The Secrets of Castro's Staying Power," *Foreign Affairs* 72, no. 2 (March/April 1993); and Inter-American Dialogue, *Cuba in the Americas: Breaking the Policy Deadlock* (Washington, DC: Second Report of the Inter-American Dialogue Task Force on Cuba, September 1995), p. ii.

3

Haiti

GIDEON ROSE

FOLLOWING THE 1986 departure of dictator François "Baby Doc" Duvalier, Haiti was governed by a succession of short-lived authoritarian regimes. In internationally monitored elections held in December 1990, however, leftist priest Jean-Bertrand Aristide won the presidency by a decisive majority and assumed office two months later, after the army suppressed a coup attempt. As the champion of Haiti's masses, Aristide sought major changes in the way the island was governed and its meager resources distributed. Haitian elites grew increasingly worried about his encroachment onto their prerogatives and his countenance of extraparliamentary intimidation, and so seven months into his term the charismatic cleric was deposed by his armed forces, led by Lieutenant General Raoul Cédras.

The coup against Aristide raised two key questions for U.S. policy-makers. The first was *whether* outsiders should intervene in Haitian affairs in order to shift the balance of power among local political factions—or, more specifically, to prevent the disruption of Haiti's transition to democracy. The second question was *how* they should intervene, what goals the intervention should have, and what means it should adopt. To Bush administration officials and many others at the time of the coup, the answers seemed relatively obvious: There should indeed be an intervention, its goal should be the restoration of Aristide, and its means should include regional diplomatic and economic sanctions against Haiti in order to pressure the post-Aristide regime into stepping aside.